

with overall energy resource planning” (“Utility Administration of Energy Efficiency Programs”);

(3) whether the program cost and bill impact figures presented in the Technical Appendix to the Straw Proposal represent a reasonable estimate of the overall cost of those elements of the 15 x 15 initiative to be achieved through utility ratepayer-funded programs and on-bill financing (“Program Costs and Bill Impacts”); and

(4) the advisability of allocating in advance energy efficiency targets and funding among NYSERDA and each utility, as per the Straw Proposal (“Allocation of Energy Efficiency Targets and Funding”).

Discussion

LIPA supports the objectives of this proceeding and is participating in order to provide input into the design of an Energy Efficiency Portfolio Standard (“EEPS”) to achieve the 15 x 15 Goal in a cost effective manner while achieving the expressed goals of reducing emissions and enhancing economic development and job growth for New York State.

I. Fast Track Programs

LIPA has been offering energy efficiency programs in its service territory for the past 10 years. LIPA’s existing programs have provided it with the requisite stakeholder relationships to enable continued success in the marketplace. LIPA currently offers its customers the following opportunities to create energy savings:

- **Home Performance with Energy Star program** – provides a comprehensive energy audit for existing homes.
- **Residential Lighting and Appliance Program** – provides rebates for qualified appliances, light fixtures and compact fluorescent light bulbs.
- **Cool Homes Program** – provides support and incentives for the installation of energy efficient residential air conditioners or heat pumps.
- **Residential Energy Affordability Partnership (“REAP”) Program** – improves energy affordability for LIPA’s lower income households.
- **Residential New Construction NY ENERGY STAR Labeled Homes Program** – improves the energy efficiency of the residential new construction market in a collaborative effort between LIPA and the building community.
- **Commercial Construction Program** – promotes the application of a broad range of energy-efficient electric technologies and design opportunities.
- **Residential Information & Education Program** – provides valuable energy-saving information to customers through printed materials, advertising and marketing; a student educational component; Energy Wise info line; the LIPA website; and computer-based, on-line, self-directed energy audit services.
- **Customer-Driven Efficiency Programs** – provides assistance to both residential and commercial customers wishing to make energy efficiency improvements not covered in any of LIPA’s other efficiency programs.
- **Retrofit Energy and Capacity Program (“RECAP”)** – (1) targets commercial customers, multi-family buildings with more than four apartments, and publicly owned facilities; and (2) looks for retrofit or replacement opportunities that

provide energy savings particularly through upgrades in HVAC, Lighting, Energy Management Systems and Motors.

LIPA's existing programs are consistent with the "Fast Track" initiatives discussed at the March 5th Technical Conference and in the Staff's supplemental filing issued on March 25, 2008. These programs represent one component of LIPA's contribution to both the Fast Track process and the ultimate attainment of the 15 x 15 Goal. LIPA is in the process of designing a new and expanded set of innovative energy efficiency initiatives which, if approved by LIPA's Board, would be implemented in the near future. This new effort will build upon LIPA's most successful programs and will introduce new options to increase customer participation in efficiency programs. LIPA's goal is to minimize the administrative barriers imposed by multiple programs targeting a single customer segment. By allowing more flexibility to create consumer choices, LIPA can provide solutions to virtually every cost effective energy efficiency opportunity presented. LIPA supports increased marketing and customer outreach/assistance in order to increase consumer participation. LIPA intends to proceed with the implementation of its expanded energy efficiency initiatives thereby achieving the intention and spirit of the Fast Track proposals in its region.

With regard to the updated Fast Track suite of programs filed by Staff on March 25, and specifically the recommendations on Evaluation and Reporting and Marketing, Outreach and Education, LIPA will continue to work cooperatively with Staff in assembling and correlating LIPA data for statewide compilation and reporting. However, LIPA remains concerned with the lack of clarity concerning decision making authority of

the Evaluation and Reporting Task Force (“ERTF”). LIPA sees a value to having certain items such as educational curriculum addressed statewide. For example, LIPA is currently participating with NYSERDA in offering a pilot teach-the-teacher educational program. However, our experience shows that different geographic segments of the State react differently to the same marketing campaign and there is measurable benefit to allowing localities to develop their own campaigns. While LIPA is willing to discuss and coordinate our activities with other stakeholders, we believe it is in the interest of LIPA’s ratepayers for the LIPA Board to continue to retain decision making authority over energy efficiency programs.

II. Utility Administration of Energy Efficiency Programs

The Straw Proposal recommends a dual-provider structure for the delivery of energy efficiency programs in an attempt to balance the benefits of a global service model administered by NYSERDA with the best state resources and direct customer access provided by the local utility. LIPA’s long-running, energy efficiency programs provide enrollment opportunities comparable to that of NYSERDA and preeminent programs in other States. As the local service provider, LIPA has the direct contact with customers and sensitivity to regional issues that only the local utility can offer.

LIPA is uniquely situated as a state created not-for-profit energy efficiency program administrator and local electric utility. In performing these functions over the last 10 years, LIPA understands the regional and local integration challenges for each entity. LIPA’s customer contact, system knowledge and name recognition as the local utility have enhanced its role as program administrator and have resulted in increased

program success. LIPA intends to continue its collaboration with other state agencies in a manner similar to its current practice. LIPA does not anticipate the need to modify the collection mechanism from other State entities or for the balance of LIPA ratepayers in the future. Since many of LIPA electric energy efficiency programs are expected to generate collateral benefits for the natural gas system, LIPA plans to continue its discussions with National Grid's Long Island natural gas affiliate ("KEDLI") regarding the potential for an appropriate combined delivery structure and sharing of costs commensurate with the natural gas benefits they produce. It is important that the PSC allow recovery for KEDLI's share of such costs arrived at through arms-length negotiations as being reasonable and in the interest of Long Island's electric and natural gas customers.

III. Program Costs and Bill Impacts

The Technical Appendix of the Straw Proposal included estimated bill impacts based on only two factors: (1) recovery of the costs of implementing the proposed energy efficiency programs and (2) the assumed reduction in wholesale energy costs that would result from the implementation of the energy efficiency programs. These preliminary estimates are based on broad assumptions that LIPA has not reviewed in detail. However, LIPA's experience with its own programs and analyses regarding its programs to achieve the 15 x 15 Goal suggest that these estimated bill impacts are significantly understated as they do not include the bill impacts from the recovery of lost revenues that will be created as a result of program implementation. LIPA estimates that by 2015, lost revenues will be approximately 70% as large as program expenses.

Specifically, for every dollar spent on EEPS program expenses in 2015, LIPA will also need to recover 70¢ in lost revenues, for a combined recovery of \$1.70. While each utility has its own level of base rates, the amount of lost revenues will depend on the success of the programs implemented as part of the EEPS. However, even if the programs are only moderately successful, the bill impacts will be substantially higher than indicated in the Technical Appendix.

LIPA believes that lost revenues need to be addressed in the same venue and at the same time as EEPS program costs are considered. Reductions in energy use are at the heart of the EEPS proceeding and the intended energy reductions will create significant lost revenues that will necessarily create substantial bill impacts for the customers. LIPA recognizes that the PSC has ordered each utility under its jurisdiction to propose a revenue decoupling mechanism (“RDM”) in its next rate case and that each utility may propose a different form of RDM. Further, LIPA recognizes that the Commission may adopt, reject or modify each utility’s RDM proposal. Regardless of the exact nature of the RDM, it is important to note that the EEPS will create bill impacts that need to be recognized at the time the programs are being discussed, and when the programs are being presented to the public. Just as LIPA plans to address the complete bill impacts that are expected to occur when it implements its own programs to support the EEPS and 15 x 15 Goal, we believe that all utilities should be presenting the total bill impacts of their proposed programs, including program costs and the recovery of lost revenues.

